



Property Casualty Insurers
Association of America
Shaping the Future of American Insurance
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STATEMENT

PROPERTY CASUALTY INSURERS ASSOCIATION OF AMERICA (PCI)

S.B. No. 168 – AN ACT PROHIBITING LATE FEES FOR PERSONAL RISK INSURANCE POLICIES.

COMMITTEE ON INSURANCE AND REAL ESTATE

February 10, 2011

The Property Casualty Insurers Association of America (PCI) appreciates the opportunity to comment on S.B. 168, which would prohibit insurers from charging late payment fees for personal risk insurance policies. Our comments are provided on behalf of the member companies of PCI, a national property casualty trade association with over 1,000 member companies. PCI members represent 37 percent of the total property/casualty insurance market and 39 percent of the total personal lines insurance business in the nation. PCI member companies provide 46 percent of Connecticut's personal lines insurance coverage.

Late payment fees are commonly charged by most types of businesses. Any type of service, product or financing for which future payment is required, from mortgages and credit cards to utility and cable services, generally charge an additional fee for late payment. These charges usually cover administrative costs associated with the late payment of a bill and the associated resulting delays in internal processes. In addition, late fees encourage the timely payment of bills. It should be noted that even the State of Connecticut charges its residents substantial late fees when they do not pay their taxes on time. In fact, even if a Connecticut resident does not owe any taxes, the State of Connecticut charges a \$50 late fee if the tax return is not filed on time.

This bill would prohibit insurers from recouping costs associated with the late payment of premium from the personal risk policyholder who is delinquent in payment. If this bill were passed, these additional administrative costs would be paid for by all Connecticut policyholders, even though most policyholders are careful to pay their premiums in a timely fashion. We would submit that it does not seem fair that those who pay their bills when they are due should have to pay more because others are delinquent in paying their bills.

It should also be noted that late payment fees encourage the timely payment of insurance premiums which helps to minimize the incidence of policies being suspended for nonpayment and problems associated with lapses in coverage. If policies lapse, among other problems, there may be an increase in people driving without insurance – a result which all would agree would be detrimental.

For the foregoing reasons, PCI urges your Committee to not favorably advance SB 168.